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UNCLAS SECTION 01 OF 03 KINGSTON 001256

SIPDIS

STATE FOR WHA/CAR (BENT) AND WHA/PDA
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)
STATE PASS OPIC FOR TABERNAKI
CUSTOMS MIAMI FOR LOWEN AND MAHABIR
SANTO DOMINGO FOR FCS, FAS, AND LEGATT
STATE PASS USTR FOR A. GASH-DURKIN
DOJ FOR OPDAT/R LIPMAN
TREASURY FOR LAMONICA

SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ECON](#) [EINV](#) [PHUM](#) [ELAB](#) [KHIV](#) [JM](#)
SUBJECT: KINGSTON POL/ECON ROUNDUP: May 31 - June 23, 2006

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11. This month's topics:

- Chilean President Visits
- GOJ Concerns with Increasing Food Imports
- Diaspora Conference Held in Kingston
- Bank Executive Highlights Benefits of Migration
- Businesses Hurting From Anti-Drug Efforts
- Huge Demand for Scrap
- Inflation Moderates
- IMF Says Growth Higher Than Reported
- Tourist Arrival Figures Remain Bullish

Chilean President Visits

12. On June 9th, Chile's first female president, Dr. Michelle Bachelet, met with Portia Simpson Miller during a one-day working visit to Kingston. The meeting between Simpson Miller and Bachelet covered a wide range of topics including: trade; sugar; the use of Montego Bay Airport as a transshipment port for Chilean exports to Europe; tourism; visas; sports and culture; education and training; and energy.

GOJ Concerns with Increasing Food Imports

13. Despite an existing 260% import tariff on "sensitive" agricultural products, such as: carrots, cabbage, lettuce, and tomatoes. Jamaica's agricultural sector continues to face stiff competition from imports. Agriculture Minister, Roger Clarke, attributes the surge in imports primarily to illegal importation of these products. According to Clarke, his ministry is currently designing mechanisms to abate the problem.

Diaspora Conference Held in Kingston

14. Over 500 delegates attended a GOJ hosted conference in Kingston on June 15 and 16, seeking ways to strengthen ties between Jamaicans at home and abroad. The GOJ, recognizing the importance of the almost 2.5 million Jamaicans residing abroad, given their over USD 1 billion in remittances annually, has been seeking other ways to tap into this market. Over 20 resolutions were passed at the conference, chief among them the establishment of a Jamaica Fund to help finance projects. Prime Minister Portia Simpson-Miller also announced the establishment of a Parliamentary Joint Select Diaspora Committee to consider how proposals from the diaspora could be translated into national policy. Opposition Leader Bruce Golding also called for an expansion of the Senate seats to allow representation from overseas Jamaicans. The next Diaspora Conference is slated for 2008.

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Bank Executive Highlights Benefits of Migration
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15. A leading bank executive, Patrick Hylton of National Commercial Bank, has suggested that Jamaicans should not view migration as 'brain drain', but as 'brain gain'. In making his case, at the second diaspora conference, Hylton pointed to Singapore, India and China, which have benefited from the return of expatriates. This position was supported by another banking executive, Ryland Campbell of Capital and Credit Financial Group, who urged Jamaicans to consider migration as something which will be an advantage in the future. However, many delegates attending the conference said they were hesitant to invest in Jamaica due to financial risks, government bureaucracy and high crime rates.

Businesses Hurting From Anti-Drug Efforts

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16. GOJ attempts to dismantle drug networks appear to be gaining traction, given recent pronouncements from two business heads. In mid June, CEO of Hardware and Lumber, Anthony Holness, told shareholders that in addition to hurricanes and competition, success against drug trafficking was the main reason for the lackluster performance of the company. Holness explained that there was less cash to launder by drug dealers, who often turn tainted cash into fancy homes, shopping centers and townhouse developments. Nationwide lottery operator, Supreme Ventures, also attributed part of its declining revenues to anti-drug measures. While this information has been in the public domain for sometime now, it is the first time that it has been openly discussed. Suggestions are that economic activities have been particularly hard hit in Montego Bay, where police arrested several alleged drug kingpins in 2005.

Huge Demand for Scrap

17. Jamaica, grappling for years to manage its solid waste, has finally found an avenue to dispose of its old vehicles and other discarded metals for foreign currency. Estimates suggest that over 20,000 tons of scrap metal now leave Jamaica annually for the export market. With prices at about USD 45.5 per ton, this translates into export earnings of just under USD 1 million.

Inflation Moderates

18. After jumping by 1.1 percent in April on the back of higher food and fuel prices, inflation rates declined to 0.4 percent in May 2006. This brought inflation for the year to 1.7 percent and compares favorably with the 5.7 percent recorded during the similar period of 2005, when food shortages and soaring oil prices led to a spike in prices. While inflationary impulses will emanate from wage

hikes and increased utility prices, barring weather related and oil shocks, prices are expected to remain below 2005 levels.

IMF Says Growth Higher Than Reported

¶9. The IMF is again contending that the Jamaican economy is growing at a much faster rate than reported by the Statistical Institute of Jamaica, due to unmeasured activities in the informal sector. According to the IMF's country report on Jamaica, issued in May, actual GDP may be higher than measured and there is evidence that the informal sector is large and growing faster than the rest of the economy. The Fund said services in Jamaica are difficult to measure and this combined with the size of the underground economy makes national accounts difficult to estimate. The IMF is basing its argument on the increase in electricity consumption (proxy for GDP growth), which has grown by over 2 percent in the 1990s compared with under 0.5 percent for overall GDP. The IMF said that correcting for this discrepancy, GDP growth during 1991-2000 could be as high as three percent. While there is merit to the argument, it should be pointed out that there is a close link between the formal and informal economy and some informal activities are therefore captured in the official data. It should also be noted that government bureaucracy and high tax rates are responsible for part of the increase in informal activities.

Tourist Arrival Figures Remain Bullish

¶10. Tourist arrivals jumped by 20.8 percent in May, continuing the bullish performance observed during the winter season (December to April 2006) when arrivals soared by a record 15.7 percent. The impressive numbers, especially from the U.S. and UK, are a direct result of the hotel rooms added in 2005, particularly by Spanish chains. A number of U.S.-based airlines (Spirit, Delta and United) have also begun service to Jamaica. Arrivals should remain buoyant during 2006, as forward bookings for the traditionally quiet summer

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season are quite strong. The island should also see record cruise arrivals this year, as Royal Caribbean's mega liner, Freedom of the Seas, is set to add 100,000 visitors. The world's largest ship is expected to carry 4,000 visitors and 2,000 crew members to Jamaica weekly, adding an estimated USD 15 million to tourism earnings.

JOHNSON